

CITY-OWNED HISTORIC BUILDING MANAGEMENT PLAN – STATUS UPDATE

EXECUTIVE SUMMARY

This report provides an annual update on the status of the City-Owned Historic Building Management Plan to manage, fund, maintain and rehabilitate The City's Heritage Building Portfolio. In this report, we are outlining the development of the new Heritage Buildings Rehabilitation Program enabled by Council's creation of a City-Owned Heritage Building Preservation Fund and provision of \$35 Million funding in the 2015-2018 Action Plan.

ADMINISTRATION RECOMMENDATION(S)

That Land and Asset Strategy Committee recommend that Council

1. Endorse the City-owned Heritage Building Portfolio – Rehabilitation Prioritization Criteria for funding allocations across the Heritage Portfolio as set out in Attachment 1;
2. Approve \$35.67 Million capital appropriation, funding provided by \$35.0 Million from the City-Owned Heritage Preservation Fund and \$670 Thousand from Corporate Properties and Buildings Capital Reserves as set out in Attachment 3;
3. Approve the allocation of \$4.435 Million from various capital programs, as set out in Attachment 3, to the rehabilitation of the City-owned Heritage Buildings Rehabilitation Program in accordance with the prioritization criteria; and
4. Approve the use of \$747,000 from Program 770 as set out in Attachment 3, from Borrowing Bylaw 11B2006 for "City-owned downtown buildings", to Program 768 Heritage Buildings Rehabilitation Program.
5. That Attachment 2 remain confidential under Sections 23(1)(b), 24(1)(a), 24(1)(g) and 25(1)(b) of the *Freedom of Information and Protection of Privacy Act* until the Historic City Hall project is fully tendered.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2014 November 24 during budget deliberations, Council approved that Recommendation 6, contained in Report C2014-0863, be adopted, as follows:

"That Council:

6. (a) Approve the creation of a City-Owned Heritage Building Preservation Fund (the "Fund") consisting of a one-time allocation of up to \$35 Million, funded from the 2014 operating surplus, to restore and preserve city-owned heritage buildings; and

(b) May allocate monies from the Fund, from time to time, upon receiving a report from Administration which outlines the rationale for the funding request, such report to go to Council through the Land and Asset Strategy Committee."

On 2014 July 21, Council approved Report LAS2014-15, the 2014 City-Owned Historic Building Management Plan Status Update.

On 2011 July 25, Council approved LAS2011-46, the City-owned Historic Building Management Plan. Since then, Administration has provided Council with an annual status update on the heritage building portfolio.

CITY-OWNED HISTORIC BUILDING MANAGEMENT PLAN – STATUS UPDATE

BACKGROUND

In 2011 July, Council approved The City-Owned Historic Building Management Plan to outline a strategic, long-term view of the role and value of City-owned historic buildings. A key funding source identified in the Plan was the potential sale of historic buildings that are no longer required for City purposes. Three buildings have been protected as Municipal Historic Resources and sold, generating \$3.17M for the maintenance and lifecycle needs of the remainder of the portfolio: Fire Hall No. 3, Hillhurst Cottage School, and the Merchant's Bank Building. In 2014 Council endorsed the allocation of \$1,498,000 to the rehabilitation of the Historic Beltline YWCA Building with the remaining \$1,672,000 allocated to the remainder of the Portfolio.

In 2010, building assessments were conducted on 20 historic buildings to establish baseline conditions and understand the required maintenance and lifecycle costs to keep them in operating condition and address potential building element failures. The Portfolio has continued to deteriorate due to lack of funding to address these requirements. The 2014 basic industry building condition assessment indicates the City-owned Historic Buildings Portfolio requires \$21.3 million to address the known building conditions and bring the Portfolio to "fair" condition over 4 years. If this rehabilitation is extended over ten years, \$33.8 million is required. These are class 5 estimates which will be further refined as projects are planned.

In response to this dedicated funding and renewed focus on The City's Heritage Building Portfolio, Administration created a dedicated four-year position to oversee the rehabilitation of the Portfolio, and develop a sustainment plan to protect this capital investment.

Administration has also pre-qualified and selected two teams comprising some of North America's most experienced historic conservation experts, led by local prime architectural consultants, to work on the Heritage Buildings Portfolio. These teams will perform all of the scoping, design, specifying, scheduling, and estimating work for the portfolio.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City's Heritage Building Portfolio is a precious resource requiring our attention today to ensure citizens and visitors are able to enjoy the buildings in the future. (see Attachment 4 for the Portfolio building list)

Rehabilitation of historic buildings differs greatly from new construction. The materials, methods and trades required for historical rehabilitation projects are scarce and costly. Repairs to a 100 year old building, intended to last for over another 100 years, require proportionately more time to plan. The protected status of designated heritage buildings means that statutory approvals must be secured from both the Provincial and Municipal Heritage Approving Authorities, in accordance with the Alberta Historical Resources Act, prior to performing any work.

Accordingly, Administration has taken a consultative, strategic and prioritized approach to the project planning activities which will drive the rehabilitation work to the portfolio of historic buildings. Expert multi-disciplinary consultant teams have been assembled and key stakeholders have been identified and engaged to ensure that the necessary decisions, approvals, permits, and construction work associated with the Historic Buildings Program will occur in an orderly and timely manner.

CITY-OWNED HISTORIC BUILDING MANAGEMENT PLAN – STATUS UPDATE

The portfolio has been prioritized, based on the principles in Attachment 1, into three distinct areas of focus: 1) Historic City Hall, 2) The Historic Beltline YWCA Building and 3) the remaining buildings in the portfolio. A separate report on this agenda provides details on the Historic City Hall Rehabilitation project.

The Historic Beltline YWCA Building

The Historic Beltline YWCA Building is used as office and meeting space for approximately 35 non-profit organizations that provide community and social services and is the building in the most critical condition after Historic City Hall. Significant rehabilitation is required to prevent the Historic YWCA Building from deteriorating further. A maintenance backlog for the building includes hazmat abatement, interior upgrades, window replacements, and electrical, plumbing and HVAC repairs, some of which has started to be addressed in 2015. Alternate tenant accommodation needs for the larger rehabilitation project are currently being assessed with the tenants.

The Centennial Planetarium has been identified as the third priority for funding. Administration is working on a tenancy agreement with Contemporary Calgary. Recreation has secured budget to complete the Phase 1 work associated with this building.

Work on the remaining buildings in the Heritage Portfolio will be undertaken on a priority and program need basis once the budgets are further refined for Historic City Hall and the Historic Beltline YWCA Building and available remaining funding is known.

Changes to the City-owned Historic Buildings Portfolio

Consistent with the principles identified in the City-Owned Historic Building Management Strategy, the Historic Alexandra School, located at 922 9 Ave. SW has been added to the Portfolio. This historic building is leased to the Alexandra Centre Society. Administration has commissioned an Interior Environmental Quality Control Phase 1 study to identify options to address building envelope and systems currently affecting the indoor quality of the facility and is working with the tenant to identify and secure budget to implement the preferred option.

In 2014 Council authorized sale of the Cecil Hotel building to Calgary Municipal Land Corporation. Consequently, the property will be removed from the City-owned Heritage Buildings Portfolio. Proceeds of the sale are to be transferred to Transportation Infrastructure.

Historic Building Funding Update

Administration has identified \$45.6 M in funding for the heritage buildings portfolio, including Historic City Hall in this report. After the required \$34.1M budget for Historic City Hall (see Attachment 2), this provides approximately \$11.5 M for the remainder of the Heritage Portfolio building. This provides approximately 50% of the funds needed to bring the Portfolio to "fair" condition. The details and required financial instructions are identified in Attachment 3.

CITY-OWNED HISTORIC BUILDING MANAGEMENT PLAN – STATUS UPDATE

Historic Building Sales Revenue

The 2011 Management Plan established a decision model to determine which City-owned historic buildings and properties were potential candidates for sale. The model specifies that if a building has a current or future municipal use, it is a non-candidate for disposition (e.g. City Hall, Calgary Public Building, and Glenmore Water Treatment Plant). The majority of the portfolio falls within this category. Should there be no municipal use for the building, it is a potential candidate for sale.

In accordance with the Management Plan, Hillhurst Cottage School, located at 455 12 St NW was sold in 2014. The net proceeds of \$620,404.16 are included in the total funding numbers and have been allocated for the restoration of buildings in the Portfolio.

In 2014, the Merchants Bank Building, owned by the Calgary Parking Authority was sold. The CPA had no obligation to allocate the sale proceeds to the Portfolio, however, the CPA Board allocated \$250,000 of the sale proceeds to rehabilitation of the Historic Beltline YWCA Building. Administration continues to evaluate the portfolio to identify potential sales.

Philanthropic Contributions

A philanthropic donation of \$50,000 has been received for the rehabilitation of the Historic Beltline YWCA Building. A program for this purpose could attract additional contributions. The Calgary Heritage Authority has the legal ability to take on this function and has expressed some interest in this. Administration will investigate this issue and include information in the 2016 annual update.

Corporate Properties and Buildings Additional Funding Sources

Corporate Properties and Buildings has identified funds within the CPB existing programs that can be reassigned to provide additional funding for the Heritage Building Program or cover related project actions such as tenant relocations. (See Attachment 3)

Grants

Administration has identified and applied for any available grants to support the rehabilitation of the Historic Buildings Portfolio including the Canada 150 Community Infrastructure Program the Alberta Historical Resources Foundation Conservation Grant Program and the Beltline Community Investment Fund.

Building Condition Update

In 2015 September Administration commissioned industry building condition assessments with the addition of a specific standard on heritage elements for bulk of the Portfolio. Previous assessments were focussed on keeping the buildings operational and minimizing further damage. This information will assist Administration in continuing to prioritize investment in the Portfolio and will be included in the 2016 annual update.

Highlights on recent maintenance to the Historic Building Portfolio are outlined in Attachment 5.

CITY-OWNED HISTORIC BUILDING MANAGEMENT PLAN – STATUS UPDATE

Stakeholder Engagement, Research and Communication

Internal business units that are stewards for historic buildings and properties were consulted in preparing this report. The Plan was written in conjunction with the Land Use Planning & Policy, Urban Design & Heritage Division. There has been ongoing communications with The City's Senior Heritage Planner, Business Unit stewards, building occupants, the Calgary Heritage Authority and Provincial heritage staff.

Strategic Alignment

The content of this report aligns directly with specific Council priorities and directions.

The 2015-2018 Action Plan states: "Corporate Services is committed to improving public safety and neighbourhoods by enhancing plans to deal with emergencies, supporting increased use of public spaces to build closer community bonds and by protecting The City's heritage properties for future generations."

The City-owned Historic Building Management Plan aligns and supports this commitment and other City initiatives including the Calgary Municipal Development Plan (2009), the Calgary Heritage Strategy (2008), the City Centre Plan (2007), and the Municipal Heritage Conservation Framework (1979).

Social, Environmental, Economic (External)

Calgary's *Municipal Development Plan* recognizes historic preservation as part of good city building. Historic buildings serve to enhance our perspective, understanding and awareness of our past and help to build a sense of identity and pride in our local communities.

Financial Capacity

Current and Future Operating Budget:

Administration is dedicating leasing revenue from historic buildings to support the ongoing program operation and maintenance needs of the Historic Buildings Portfolio on a steward basis. An ongoing operating maintenance plan will need to be developed and recommended operating funding amounts will be identified in the 2016 annual update and recommended for the next budget cycle.

Current and Future Capital Budget:

The major funding source for the needs of City-owned historic buildings is the new City-Owned Heritage Building Preservation Fund (the "Fund") consisting of a one-time allocation of up to \$35M, funded from the 2014 operating surplus, to restore and preserve City-owned heritage buildings. Additional funding sources are \$3.17M from the sale of historic buildings, \$50.0K from an anonymous private donation and \$7.435M from reprofiled capital funds in Corporate Properties & Buildings programs.

The Historic City Hall Class 4 budget required is \$34.10M as set out in Attachment 2 and LAS2015-35 Historic City Hall - Rehabilitation Update and Project Plan. The remaining funds will be used to rehabilitate the historic buildings in the Portfolio on a priority basis. The necessary appropriation increases and redirections are required and will be carried out by Administration.

CITY-OWNED HISTORIC BUILDING MANAGEMENT PLAN – STATUS UPDATE

The reprofiled funds includes the use of \$747K approved in Borrowing Bylaw 11B2006 for "Downtown Buildings". These funds are no longer required for the Public Building as the project has come in under budget. To use these funds for Downtown Buildings - Historic City Hall, Administration will carry out the necessary Bylaw wording changes.

This total funding of \$45.655M will address the needs of Historic City Hall and approximately 50% of the needs of the City-Owned Historic Buildings Portfolio.

Administration has identified and applied for any available grants to support the rehabilitation of Historic City Hall including the Canada 150 Program and the Alberta Historic Resources Foundation Conservation Grant Program.

Details of these funding sources are outlined in Attachment 3.

Risk Assessment

As capital investment for lifecycle and heritage element maintenance is deferred, the costs to achieve the same results increase. Additionally, annual operating costs increase due to deteriorating building conditions. Without investment, The City's liability for human health and physical safety will increase as our historic buildings continue to deteriorate. Decline in structural and building system integrity could result in building closure and subsequent tenant relocations. Significant future deterioration of buildings could eventually result in an unintended loss of the historic building.

REASON(S) FOR RECOMMENDATION(S):

The recommendations fulfill previous Council direction to report annually on the status of the City-Owned Historic Building Management Plan, and will enable Administration to proceed with rehabilitation work to the Historic Buildings Portfolio.

The rehabilitation achieved with the funding will serve to address priority building deterioration issues in a number of buildings. Additional funds will be required to bring the total portfolio to fair condition and avoid further building deterioration for the remainder of the City-owned Historic Building Portfolio.

ATTACHMENT(S)

1. City-owned Historic Building Portfolio – Rehabilitation Prioritization Criteria
2. Historic City Hall Rehabilitation Project – Required Budget (Class 4 Estimate)
3. City-owned Historic Building Portfolio – Funding and Financial Instructions Overview
4. City-owned Historic Building Portfolio Buildings List
5. Historic Buildings 2015 Update